NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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ANGELIDES SPURS CalPERS TO ACT AGAINST EXPATRIATE COMPANIES
Nation's largest public pension fund launches drive to end sham offshore relocations by McDermott, Tyco and Ingersoll-Rand

SACRAMENTO, CA – At the urging of California State Treasurer Phil Angelides, the California Public Employees' Retirement System (CalPERS) today launched a drive against the deceptive practice of corporate expatriation. CalPERS voted to spearhead shareholder resolutions at three companies – McDermott International, Tyco International, and Ingersoll-Rand – which have relocated offshore, in name only, to avoid taxes and weaken shareholder rights.

The CalPERS Board, of which Angelides is a trustee, voted to co-sponsor a shareholder resolution to McDermott seeking its repatriation. In addition, CalPERS voted to support two other shareholder resolutions at expatriate companies Tyco International and Ingersoll-Rand, the goal of which is to compel them to repatriate. CalPERS joins the American Federation of State, County and Municipal Employees Pension Plan (AFSCME) in leading the drive for adoption of the resolutions by shareholders of the three companies.

Today's focus on expatriate corporations is the latest in a series of actions taken by Angelides to use the weight of California's considerable investment portfolio – the power of the purse – to help restore integrity and accountability to the financial marketplace. "Companies that shirk their duty as Americans by avoiding taxes and that deliberately undermine the rights of investors must realize they will be held accountable for their irresponsible conduct," Angelides said. "These sham relocations, like the accounting scandals at Enron and WorldCom, are the kind of deceptive practice that has shaken the financial marketplace, and cost families, pensioners and taxpayers billions. The message we send these companies today is to do the right thing and end the charade," he added.

CalPERS currently holds 299,000 shares of McDermott stock; 718,000 shares of Ingersoll-Rand stock and 1.2 million shares of Tyco stock. In urging CalPERS' approval today, Angelides noted that expatriation has the following harmful effects: it weakens shareholders' legal protections; damages a company's reputation and therefore its long-term value; and undermines the faith of investors in the honesty and integrity of corporate practices.

CalPERS' move came as pressure is mounting against expatriate companies. Just this week, the Internal Revenue Service announced it would step up efforts to collect taxes from corporate expatriates.

Angelides first took action against expatriate companies in August when he announced the State Treasurer's Office would cease making investments in, or doing business with, U.S. companies that relocate offshore in name only. As a result of that policy, Ingersoll-Rand, a corporation previously eligible for investments by the State's $58 billion Pooled Money Investment Account, is no longer eligible for State investments.

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915 CAPITOL MALL, ROOM 110, SACRAMENTO, CA 95814 . (916) 653-2995 . FAX (916) 653-3125
www.treasurer.ca.gov

FACT SHEET
Shareholder Proposal to McDermott International

Proposal

"Resolved, that the shareholders of McDermott International Inc. ("McDermott") urge McDermott's Board of Directors to take the measures necessary to change McDermott's jurisdiction of incorporation from Panama to a U.S. state."

Why Should Shareholders Be Concerned?

- Corporate expatriation weakens the rights of shareholders.

    - McDermott's own SEC filing in 1998 admits that *". . . it may be difficult for investors to execute, levy upon or otherwise satisfy in United States courts, judgments against the Company obtained in such courts . . ."* In other words, shareholders may not be able to enforce civil liability provisions of the U.S. federal or state securities laws against the corporation.

- Under Panama Law, shareholders do not have the right to sue officers or directors on behalf of the corporation.

- The U.S. Government accounted for approximately 23% of McDermott's total consolidated revenue in 2001, equaling $1.8 billion in contracts. McDermott's continued ability to contract with the federal government will remain a matter of substantial contention as there are numerous legislative proposals under consideration that would limit or ban entirely federal contracts with corporate expatriates.

- McDermott's relocation- in name only- to a tax haven damages investors' legal protections, and the company's reputation. These offshore schemes are part of a larger pattern of deception and lack of integrity in the corporate boardroom, which has harmed the marketplace and investors.

Controversy Continues to Surround Expatriate Corporations

"Sen. Charles Grassley, R-Iowa, in line to become Chairman of the tax-writing Senate Finance Committee, added that he'd move legislation to rein in corporate tax shelters and corporate inversions." *MSNBC News, Nov. 7, 2002 "New Senate, New Set of Priorities."*

"The federal government Tuesday fired another salvo at companies that seek to locate their headquarters offshore in a bid to save on taxes. 'The regulations issued today will serve to remind shareholders in taxable inversion transactions that they must report their gain from the transactions on their tax returns,' said Pamela Olsen, the Treasury's assistant secretary for tax policy." *Los Angeles Times, Nov. 13, 2002 "IRS Seeks to Claim Offshore Firms' Tax."*

"Last week, Manhattan District Attorney Robert Morgenthau raised the stakes dramatically in the debate on corporate tax inversions. He is now threatening to criminally prosecute corporations that reduce their New York taxes by relocating their legal residences to a foreign country. 'We were interested because of the fact that Tyco has a nominal headquarters in Bermuda that enables them to avoid U.S. taxes,' he said." *National Review Online, Sept. 6, 2002 "Inversions, not Evasions."*

"Stanley Works, the Connecticut tool maker, said last night that it was abandoning its proposal to reincorporate in Bermuda . . .The company attributed its reversal to the growing prospect of legislation in Washington to resolve what it characterized as inequities in the United States tax laws." *The New York Times, Aug. 2, 2002 "Tool Maker Backs Away From a Move to Avoid Taxes."*

"Companies considering inversion in the current legislative environment are taking a big risk, Deputy Assistant Treasury Secretary for Regulatory Affairs Eric Solomon warned Nov. 12. Inversions are viewed as an 'inappropriate business transaction,' Solomon said." *Daily Tax Report, Nov. 14, 2002, "Corporate Inversions: Corporations Planning Inversions at Great Risk, Treasury's Solomon Warns."*